

COMPETITIVE BIDDING OF MANAGED CARE FOR MEDICAID BEHAVIORAL HEALTH

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- Authorize DHHS to competitively bid the behavioral health managed care waiver among behavioral health organizations, local management entities, and partnerships instead of sole sourcing to the LMEs
- Results
 - Save \$100 million annually in state dollars
 - Import proven clinical innovation from other markets
 - Relieve counties of significant financial risks

ValueOptions

- Nation's largest privately held behavioral health management organization
- Deep Medicaid expertise
 - 8 million members
 - 14 states
 - 15 years managed care waiver experience
- Competitive and predictable pricing
- Effective management of complex and co-morbid populations
- Excellent member experience
- NCQA Accreditation

ValueOptions Timeline in North Carolina

- 1992 Commercial and State Health Plan
- 1998 Health Choice (SCHIP)
- 2002 Medicaid inpatient and residential
- 2006 Medicaid all services
- 2011 Medicaid and Health Choice MHSA

North Carolina Public Sector Operations

- 205 total employees
 - 70 licensed clinicians
 - 12 psychiatrists and psychologists
- Offices in Raleigh and Charlotte
- Monthly prior authorization volumes
 - 21,000 requests
 - 3,200 not meet medical necessity (15%)
 - 140 appeals with < 2% overturn rate

Types of Prior Authorizations

- 11% Inpatient
- 12% PRTF, residential and therapeutic foster care
- 15% Outpatient
- 62% Enhanced services

ValueOptions Results

- Reduced Community Support utilization in 2007 by 75% or \$500 million annually
- Recommended best practice alternatives for 35% of Community Support Team and Intensive In-Home requests in 2010-11 for \$250 million in annual savings
- Stable, on-time performance during major transitions in services (residential, case management, enhanced services) and provider system (CABHAs)

North Carolina Medicaid Behavioral Health

Fee for service

- Private sector providers
- Statewide claims processor
- Prior authorization vendors (ValueOptions for 90 counties)
- LMEs for other activities
- State at risk for costs
- 95 counties

Managed care

- Private sector providers
- One managed care entity for claims, UR, provider network
- Managed care entity at risk for costs
- Greater program flexibility
- 5 counties

Status of North Carolina Medicaid Behavioral Health Managed Care

- 2008 General Assembly directed DHHS to expand managed care to additional LMEs
- Additional LMEs waiver sites to be rolled out one-by-one over 3-5 years
- First managed care site rollout postponed from Jan 2011 to Jan 2012
- No one LME represents more than 10% of Medicaid population

Competitive Bidding

- Authorize DHHS to competitively bid the behavioral health managed care waiver among behavioral health organizations, local management entities, and partnerships instead of sole sourcing to the LMEs

Advantages of Competitive Bidding

- State savings of \$100 million yearly
 - \$2.1 billion annual Medicaid MHDDSA spending
 - 15% savings or \$300 million from competitive bidding
 - \$100 million state portion of savings

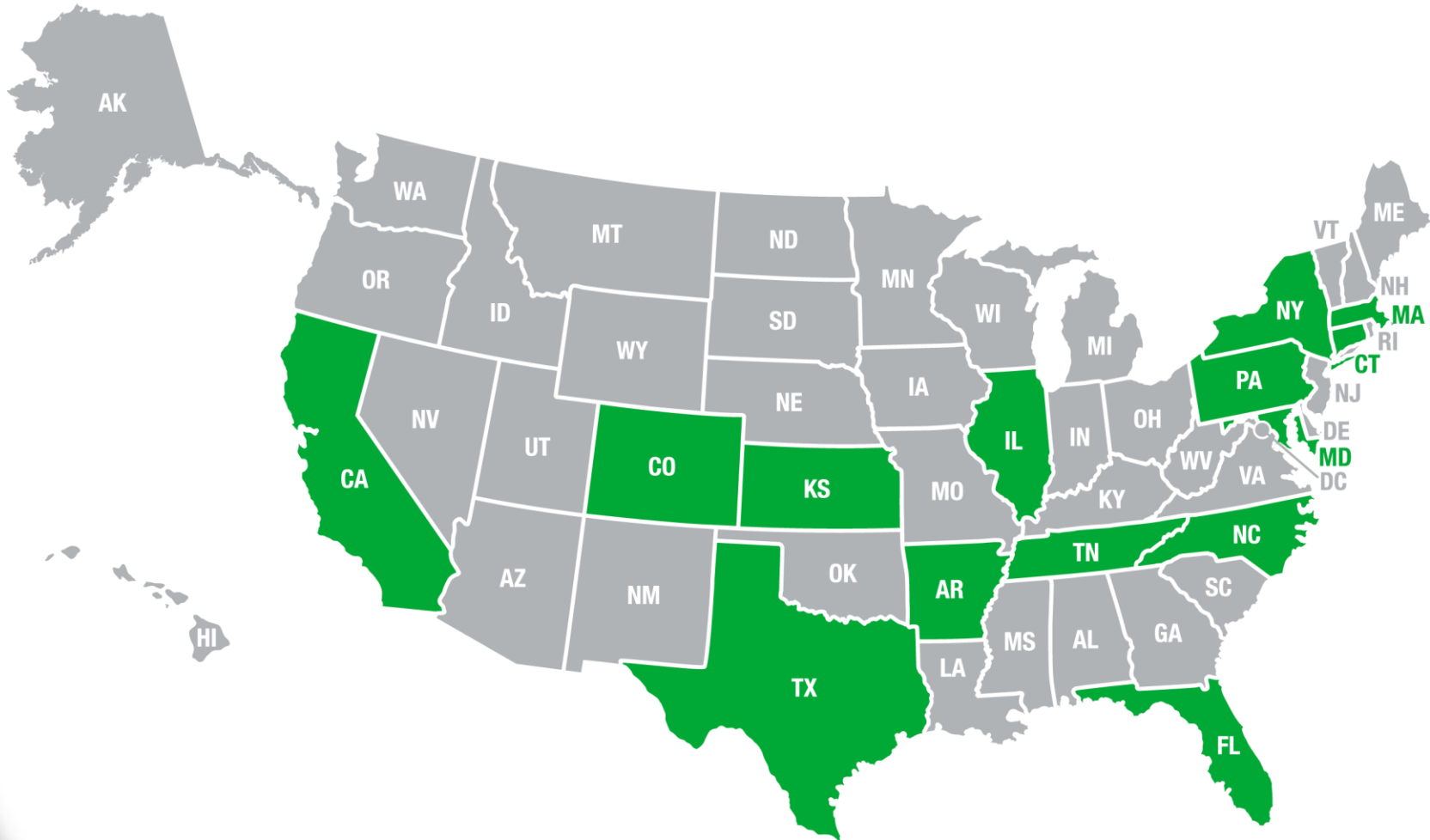
Advantages of Competitive Bidding

- Shorter implementation time
 - Competitive bidding can provide statewide coverage as early as the last half of SFY12
 - Each year of delay is \$100 million in opportunity costs to the state

Advantages of Competitive Bidding

- Experienced behavioral health organizations
 - Import innovations proven successful in other markets
 - Millions of members already in managed care waivers in other states

ValueOptions Public Sector Sites



ValueOptions' Experience



- Serving more than 1.1 million Medicaid and indigent adults and children
- 46% improvement in appropriate access
- \$72,000 reduction PMPY for severe outlier populations
- Serving 1,400 homeless members per day, coordinating all bio-psycho-social needs

ValueOptions' Experience



- Serving more than 635,000 TennCare members, including 40,000 seriously mentally ill, in partnership with Blue Cross Blue Shield of Tennessee
- Co-location model
- \$5 million savings in Year 1
- 15% drop in inpatient utilization
- 10.5% decrease in PMPM costs

ValueOptions' Experience



- Serving more than 360,000 adults and children
- Program savings of \$800 million*
- Targeted population (top 2% high-utilizers)
 - 50% reduction in ER visits
 - 68% reduction in inpatient hospitalizations
 - 60% reduction in medication refill gaps
 - 19% reduction in average total medical costs

* Milliman, Inc. Analysis (January 31, 2011)

ValueOptions is an Experienced Management Organization



- Serving 353,000 children and families
- 39% decrease in child/adolescent inpatient discharge delays
- 100% satisfaction with peer and family specialist involvement
- 91% consumer satisfaction overall
- Awarded 160,000 SSI and dual-eligibles in 2011

Advantages of Competitive Bidding

- Elimination of significant financial risk to counties
 - Counties responsible for \$120 - \$150 million or more in capitation payments per year, fully at risk with no bottom
 - Any profits in medical costs are re-invested in additional Medicaid services. Any shortfalls have to be funded by the counties.
 - Losses or surpluses are not carried over year to year
 - Modest cost overrun of 10% would represent a loss of approximately \$12 million per year

Advantages of Competitive Bidding

- Elimination of reserve funding requirement for state
 - Medicaid will fund \$300 million in reserves for the LMEs
 - Major behavioral health organizations would put up their own reserves

Advantages of Competitive Bidding

- Mercer Consulting recommended competitive bidding
 - April 3, 2008 *Independent Evaluation of the Performance of Local Management Entities*
 - “Mercer also recommends competitive procurement...The procurement should be open to LMEs, specialty BH managed care vendors, and a combination of both.” (p. 53)
 - “The more open the competitive process...the more likely the State will maximize the responsiveness of the bids.” (p. 57)
- DHHS reported Mercer recommendations to the Legislative Oversight Committee
 - July 10, 2009 *Legislative Report on Medicaid Waivers for LMEs* included Mercer’s recommendations for competitive bidding (p. 18)

Next Step

Authorize DHHS to competitively bid the 1915 (b)/(c) behavioral health managed care waiver among behavioral health organizations, local management entities, and partnerships instead of sole sourcing to the LMEs

- State savings of \$100 million yearly
- Shorter implementation time
- Import experience and innovation
- Eliminate significant financial risk to counties
- Eliminate \$300 million reserve requirement